

looking ahead

..... A monthly report by the National Planning Association on forward-looking policy planning and research — announced, underway, and completed — of importance to the nation's future

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UN Research on Underdeveloped Areas

by Roy Blough

Research by the United Nations on many economic questions indicates that most of these questions are aspects of one or more of three overlapping major postwar economic problems.

One such problem is to achieve and maintain economic stability — to prevent unemployment and depressions on the one hand and inflationary price movements on the other. Another problem is the chronic disequilibrium which many countries suffer in respect of their international trade and payments, a problem which displays various symptoms including import restrictions, exchange controls, and the "dollar shortage." The third persistent major problem is the slow pace of economic development in many relatively underdeveloped economies. A really tremendous gap exists between the per capita incomes in industrialized and in relatively undeveloped countries, and this gap has not been narrowing. Almost every factor on which the pace of economic development is dependent has been dealt with in the debates, resolutions, and resulting secretariat studies.

International action can profitably be brought to bear on these major economic problems. In particular, the central organs of the United Nations, as well as the International Bank for Reconstruction and Development, the International Monetary Fund, the International Labor Organization, and the Food and Agriculture Organization, are attacking these problems.

In economic and financial matters the Secretary-General of the United Nations receives his directives from the General Assembly, whose Second Committee devotes particular attention to such matters. More especially, these questions are considered by the Economic and Social Council—a subsidiary of the General Assembly composed of 18 government members meeting twice a year for

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Looking Ahead for 1954

This December issue marks the first anniversary of Looking Ahead.

In the coming year we will have for you new feature articles and many previews of things to come.

We are going to improve our format, coverage, and style as a publication, and do it within the confines of our present size and purposes.

We will welcome your suggestions for material to be included in Looking Ahead, and any ideas for its improvement.

To members and friends of the National Planning Association and all readers of Looking Ahead the NPA Staff sends the season's greetings.



a total of about 10 weeks. Three regional economic commissions established by the Council—for Europe, for Latin America, and for Asia and the Far East—concentrate on regional economic problems. At present, the Council also has set up 3 functional commissions in the economic field to deal with matters relating to public finance, statistics, and transportation and communication.

The branch of the Secretariat concerned with economic matters is the Department of Economic Affairs. The Department's organization roughly parallels the structure on the legislative side as described above. In addition to a small secretariat for the Economic and Social Council there are 4 substantive divisions: the Transport and Communications Division, the Fiscal Division, the Statistical Office of the United Nations, and the Division of Economic Stability and Development. The secretariats of the regional economic commissions also are part of the Department of Economic Affairs.

The Department has servicing, advisory, information, and research functions. It services committees and commissions, certain international conferences, and committees of experts and other ad hoc committees; advises, on request of governments and international organizations, on economic matters—such as appraising requests for assistance, briefing experts, and evaluating the work of experts in the field; issues periodic reports, special compilations of information, and statistical publications;^{1/} and prepares research studies and analyses—including those which are more than factual compilations—for use by the legislative organs in their deliberations.

Only that part of the economic research undertaken by the Department of Economic Affairs relating to the economic development of less developed areas will be discussed here.

One aspect of this problem which has received major attention is that of enlarging the financial resources available for economic development. It has been approached from several angles. The problem of accumulating and channeling local capital in the underdeveloped countries was examined by a group of experts.^{2/} An analysis is now being prepared of the international flow of private capital together with a memorandum summarizing work done thus far, studies conducted, and action taken regarding

the stimulation of the flow of such capital. Two reports which are expected to appear during the first half of 1954 deal with foreign capital in Latin America and the postwar international flow of private capital to underdeveloped countries. The effects taxation may have on foreign investment are under study, a preliminary report having been submitted early in 1953 which examined the principal types of tax barriers and incentives in use in different countries.^{3/} It is part of a broader program of study regarding the tax systems of capital-exporting and capital-importing countries and the expanding network of international agreements for the avoidance of double taxation.

Possible methods of supplementing the flow of private international capital through inter-governmental action have received particular emphasis in recent years. In January 1952 the General Assembly requested the Economic and Social Council to submit a detailed plan for the establishment, as soon as circumstances would permit, of a United Nations fund for grants-in-aid and for low-interest, long-term loans to help underdeveloped countries accelerate their economic development. The report of a Committee of Experts, appointed by the Secretary-General, was published in the spring of 1953 and has been under consideration by the General Assembly this autumn.^{4/}

International trade is considered by the underdeveloped countries to have an important bearing on the rate of their economic development since a large part of the funds available to them for importing capital equipment must be derived from the sale of primary commodities to the more highly industrialized countries. The terms of trade between the prices of primary commodities and of manufactured goods have been a source of particular concern. In this connection 3 studies are awaiting discussion in the Economic and Social Council. One examines the relative price movements of various groups of primary products, producers' goods, and consumers' goods from 1948 to mid-1952.^{5/} A second study is concerned with the financial repercussions of changes in the terms of trade on countries in the process of development.^{6/} The third study deals with the influence of rayon and synthetic rubber on the production, consumption, prices, and international trade of cotton and rubber.^{7/} The desire of the Assembly to find practical measures for increasing the stability and equity of terms of

trade led to the appointment by the Secretary-General of a Committee of Experts on International Commodity Prices which recently completed a report on the subject.^{8/}

The Council and the Assembly have also called for special studies of the process of industrialization with the idea of finding means of achieving more rapid development of industries. The Secretariat is now preparing a statement on various aspects of this problem and a general study on "processes and problems of industrialization." Attention has been given also to the techniques of programming for economic development. Among the regional commissions, the Economic Commission for Latin America has been particularly active in this respect.

The role of development corporations in promoting economic development and the problems of adapting technology to smaller-scale industries particularly suitable for certain underdeveloped countries have also been examined.^{9/} In addition, a good deal of research has been done in the field of natural resources. A study on iron ore resources has been published and a similar study on nonferrous metals is almost completed.^{10/}

Roy Blough is Principal Director of the Department of Economic Affairs of the United Nations Secretariat.

1/ See brochure "Economic Publications of the United Nations" (free of charge from U.N. Headquarters).

2/ Financing of Economic Development—Sales No. 1951.II.B.1

3/ U. S. Income Taxation of Private U. S. Investment in Latin America—Sales No. 1953: XVI.1

4/ Report on a Special United Nations Fund for Economic Development—Sales No. 1953: II.B.1

5/ Relative Prices of Primary Products and Manufactures in International Trade—(E/2455)

6/ Repercussions of Changes in Terms of Trade on the Economies of Countries in the Process of Development (E/2456 and E/2456/Add.1)

7/ Report on Impact of Selected Synthetics on Demand for Natural Products in International Trade (E/2433)

8/ Commodity Trade and Economic Development (E/2519)

9/ Preliminary Study on Technique of Programming Economic Development (E/CN.12/292):
e.g. Development Corporations and Development Financing in Latin America (E/CN.11/I&T/WP.2/L.20)
Cottage and Small-Scale Industries (E/CN.11/I&T/30)
Integrated Economic Development (E/2384)
Methods to Increase World Productivity (E/2265)

10/ World Iron Ore Resources and Their Utilization—Sales No. 1950.II.D.3

—significant activities—

A New Look at Social Security

Objectives and operation of the present social security system have received considerable study in the past few months by governmental and private groups.

A 12-member group appointed by the Department of Health, Welfare, and Education, composed of individuals experienced in business, labor, agriculture, private pension planning, and social work, some months ago reported its recommendations on extending social security coverage. President Eisenhower endorsed these recommendations in a congressional message. The consultants unanimously agreed that an additional 10.5 million people should be brought into the system. Six major groups of 500,000 self-employed professionals, 3 million self-employed farm operators, 2.7 million hired farm workers, 200,000 household workers, 200,000 ministers, and over 3 million state and local government workers would be affected. The consultants' report was not made available for general distribution.

Objectives of the social security system as understood by the consultants are the inclusion of all employed and self-employed workers, payment of benefits related to prior earnings as a matter of right without a means test, and financing on a contributory basis.

Congressional activity in the field centers around the Subcommittee on Social Security of the House Ways and Means Committee. Rep. Carl T. Curtis (R-Neb.) is chairman and Karl T. Schlotterbeck is staff director. The Subcommittee was directed by the Ways and Means Committee to study basic principles of the social security program, including costs, benefits, retirement tests, coverage, administration, inequities, inadequacies, and suggested changes. According to the Subcommittee, neither changes in the present system nor specific legislation will be considered in the staff report to be released early next year; however, the report may provide the basis for later recommendations by the Subcommittee to the Ways and Means Committee.

Last month's meeting of the American Assembly at Harriman, N.Y., considered problems involved in providing economic security for Americans. A majority of representatives from industry, labor, Government, and other diverse groups agreed that all employed and self-employed persons, including professionals, should be covered by social security; that a system based on a need test is the least desirable; and that a contributory program in which benefits are related to total contributions is best. The Assembly report is printed in full in *The New York Times* of Nov. 9, 1953. (The Assembly, founded by President Eisenhower in 1950 when he was president of Columbia University, studies matters of national interest and is administered by the Columbia University Graduate School of Business.)

Venezuela, Colombia, India

—Investment Opportunities

Prospective U.S. investors can obtain essential information on the economy and investment climate in Venezuela, Colombia, and India from three new studies of the Commerce Department. U.S. Commerce and State Department officials here and abroad, U.S. and native businessmen, and government officials of the three countries all contributed to the compilation of this valuable material.

A major purpose of the surveys is to determine the attitudes of the three governments toward foreign investors and investment. Are private U.S. capital and techniques wanted? Information contained in the reports indicates that within limits an affirmative reply can be given.

Venezuela has adopted a number of measures in an effort to expand and diversify her economy, according to the Commerce Department study. A high protective tariff is in effect, while import duties on capital goods and raw materials were reduced or eliminated. There are comparatively low income tax rates on business activities other than petroleum and mining. In addition, laws governing the entry and activity of aliens are quite favorable to the growth of foreign investment.

Colombia's economic policy entered a new phase in 1950, according to the study. A report of the Colombian Committee for Economic Development advocated that the major share of

national savings and investment should be carried out by private enterprise. Government measures to implement this recommendation include attempted economic stabilization, eliminating price controls, a more realistic exchange rate, abandoning the more cumbersome exchange procedures, and a protective tariff.

The official Indian attitude toward foreign investment has undergone a significant change, states the study on India, arising from a "growing recognition of need for private foreign investment, and for private enterprise in general, and a consequent willingness to offer terms of entry that are attractive to foreign investors." Each new enterprise is screened individually. While this procedure is time-consuming, it is flexible and permits more favorable terms of entry than general policy statements indicate.

So far, the most favorable terms have been accorded industries vital to India's economic development requiring large capital outlays or advanced technical processes, those training Indians in industrial operations, and those improving her foreign exchange position. Luxury industries, competitors for domestic (especially cottage) industry, and those desiring to package or assemble imported components rather than engage in actual manufacturing, in general, have been denied admittance.

An additional factor to be considered in evaluating the investment potential of all three countries is the hostility noted in the reports of a considerable segment of local business toward new foreign competition.

The reports indicate that it is as true of Colombia and India as of Venezuela that probably "in the years to come the possibilities of manufacturing will arouse more widespread interest among investors abroad than any other activity." In Venezuela, the dynamic petroleum and iron-mining industries, although potentially a great stimulus to investment in related activities, already are set in their developmental pattern. Colombia's fuel and power resources—petroleum, coal, hydroelectricity—offer investment potentialities while providing the base for future industrial expansion. Finally, India's huge domestic market, extensive natural resources, and contemplated expenditures for agricultural and industrial development, offer opportunities for the sizable expansion of foreign investment.

(The three reports, Investment in Venezuela, June 1953, 158 pp., \$1; Investment in Colombia, July 1953, 126 pp., 55¢; and Investment in India, Oct. 1953, 166 pp., 70¢, are available from Supt. of Doc., Wash. 25.)

MIT Center for International Studies

An extensive research program on problems of world peace and stability has been under way since 1951 at the MIT Center for International Studies. The Center was formed at the suggestion of members of the Boston academic community and high Government officials to study problems arising out of this country's new position in world affairs. From the first, the importance of the Center's work in producing information and analyses useful to interested operating officials in the U.S. and abroad has been stressed.

Government contracts largely financed the first year of research, devoted primarily to urgent problems of the East-West conflict. However, it was clear from the beginning that many issues of national policy should be studied by the academic community independently of Government appropriations. The research involved was often too long-run in nature, too speculative and fundamental, and when it concerned various domestic influences and limitations affecting U.S. foreign policy, too unsuitable for justification in annual Federal budgets. For these reasons, the Center, in cooperation with and supported by the Ford Foundation, developed two long-run research projects to complement its Government contract work on U.S.-Soviet Bloc Relations.

One of these new long-range projects is being carried out in the field of Economic and Political Development. India, Italy, and Indonesia were the countries selected for investigation. In all three countries, economic problems are studied in relation to their cultural and institutional settings. Paralleling specific analyses of private savings, tax structure, labor supply, and capital allocation will be studies of leadership and decision-making, government administration, the role of local, state, and federal units, the emergence of political parties, and the total impact of change on the society. An understanding of forces which promote and retard economic development, and possible alternate courses of development, should result.

The other project, on International Communication, will examine the attitudes of leading groups here and abroad on current international problems. For example, the attitudes of U.S. businessmen on world trade will be scrutinized. How and what have American businessmen learned about the consequences of renewing or not renewing the Reciprocal Trade program; what are the blocks to fuller understanding; and how do the businessmen react to information reaching them?

The Center's approach in tackling these projects makes almost certain an abundance of pointed and challenging conclusions. Although administratively a part of MIT, the Center has operated largely as a joint MIT-Harvard undertaking, with participation too by faculty members from other universities in the Boston area. A team approach—using analysts from all the social sciences—has been developed. Where possible, operating officials and scholars of the countries being studied work side by side with American academic researchers. On-the-spot field studies also are being made: community surveys in Indonesia, industry studies in India, and contacts with interested organizations in Italy. Later, more extensive field work will be started, it is hoped with the cooperation of local research institutions.

A major concern of the Center is to increase public understanding of the international problems under study. To this end, advisory participation by interested businessmen and members of public organizations is being considered; also cooperation with individuals and organizations in adapting for more popular use the published results of the Center's work.

Comments on NPA Study

Editors throughout the country commented on NPA's study, issued as PP-84, on economic impacts of national security programs (Looking Ahead, Nov. 1953).

New York Herald Tribune noted NPA's frequent contributions to "public understanding on issues of the day" and that NPA had "scored again in its report."

St. Louis Globe-Democrat—"valuable contribution to the nation's fiscal thinking."

Meriden, Conn. Journal—an "important contribution" to the debate on this issue.

A Check List of Recommendations on Selected Aspects of U. S. Foreign Economic Policy

	Gray	Rockefeller	Paley (a)	Bell	NAM	CED	C of C	CIO	AFL
<u>Tariffs</u>									
Reduce further under.....	X	....	...	X	...	X	X	X	X
Reciprocal Trade Agreements									
Reduce or eliminate									
through new legislation.....	...	....	X	X	...	X	....	...	...
Maximize trade while assuring protection against unfair competition	...	....	...	...	...	...	X	X	X
Simplify customs procedures.....	X	....	...	X	X	X	X	X	X
<u>"Buy American" Legislation</u>									
Repeal.....	X	....	...	...	...	X	X	...	...
Reconsider.....	...	....	...	X	...	...	....	X	...
<u>Shipping Subsidies and Protection</u>									
Reduce.....	X	....	...	X	...	X	....	...	...
<u>Private Investment Abroad</u>									
Encourage more private investment	X	X	X	...	X	...	X	X	X
By tax incentives.....	X	X	X	...	X	...	X	...	...
By investment treaties.....	X	X	X	...	X	...	X	...	...
By risk guaranties.....	X	....	X	...	...	...	(b)	...	...
<u>Public Loans and Assistance Abroad</u>									
Heavy reliance on public funds.....	X	X	X	...	...	...	...	X	X
Some reliance on public funds.....	...	....	...	...	X	...	X	...	...
(a) Only deals with trade policy for materials.									
(b) Opposed to risk guaranties.									

The report of the Randall Commission on Foreign Economic Policy expected early next year undoubtedly will stimulate spirited discussion of varied points of view. In this connection, a check list of recommendations made by former presidential advisory groups and a few business and labor organizations on selected aspects of foreign economic policy may be helpful to Looking Ahead readers.

Official reports, policy statements, and publications of the following presidential advisers and private groups have been consulted in developing the check list: Gordon Gray, Special Assistant to the President (Nov. 1950); International Development Advisory Board headed by Nelson A. Rockefeller (Mar. 1951);

The President's Materials Policy Commission chaired by William S. Paley (June 1952); The Public Advisory Board for Mutual Security under Daniel W. Bell (Feb. 1953); National Association of Manufacturers (May 1952-Oct. 1953); Committee for Economic Development (May and Oct. 1953); U.S. Chamber of Commerce (June 1953); Congress of Industrial Organizations (Nov. 1951-Nov. 1953); American Federation of Labor (Sept. 1953).

Many problems of foreign economic policy covered by these groups in their official documents are not included in the check list; nor can it reveal the many subtle variations in views that can be obtained only from going to the original sources.

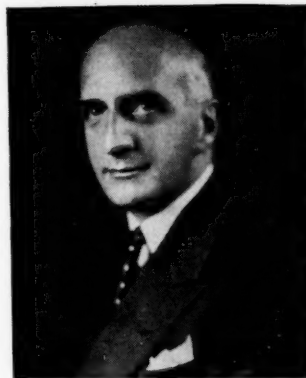
Princeton Conference On Depression Preventives

The Universities-National Bureau Committee of the National Bureau of Economic Research held the first of a contemplated series of conferences on anti-depression policies in late October at Princeton University. About 60 selected economists from universities, government, business, and labor organizations accepted invitations to attend the conference.

Questions discussed included: types of depressions and policies to combat them; how effective are the so-called automatic built-in stabilizers; how effective are changes in industrial and corporate income taxes as stabilization devices; what contribution to economic stabilization can be made by residential housing policies and self-liquidating public works? No decision has been made yet about publishing conference papers and discussions; Looking Ahead will report if they become available. (Gerhard Colm of the NPA staff is on the conference planning committee.)

—NPA activities—

- R. R. Gilbert, one of the vice chairmen of the NPA Committee of the South and chairman of the board of the National City Bank of Dallas, following Colonel Palmer's untimely death, accepted an invitation to serve as acting chairman of the Committee.
- Communism Versus Progress in Guatemala, an NPA International Committee Report by Theodore Geiger, NPA's chief of research, was published Dec. 7. Since Mr. Geiger undertook this study last summer at the request of the International Committee, public attention has been increasingly focused on the uneasy political and economic situation in Guatemala. The report, based on extensive research in published sources and on interviews with many people personally familiar with recent developments in Guatemala, analyzes the causes and effects of Communist infiltration in that country. It also provides background for a policy statement signed by members of NPA's International Committee.



Elbridge Woodman Palmer
December 4, 1886–November 19, 1953

It was with profound sorrow and shock that we learned of the sudden death of Colonel E. W. Palmer—chairman of the NPA Committee of the South, and member of the Board of Trustees and Business Committee. Throughout the nation, his loss will be felt deeply. Colonel Palmer's career has been marked by unselfish devotion to his country: by outstanding service to his government and constant contributions to the programs of local, regional, and national organizations covering a wide range of interest.

From the time he first became a member of NPA in 1946, Colonel Palmer actively participated in NPA's work and furthered its aims. His ideas, knowledge, and boundless energy—so freely contributed to NPA—will be sorely missed. But, even more, we will miss the good friend whose presence always inspired a feeling of warmth, pleasure, and optimism for the future.

Included in the report are: the composition of the present left-wing government and the Communists' role in it; Communist objectives and methods and their adverse effects on Guatemala's economy; the source and extent of anti-Communism; and the outlook for Guatemala's development. The country's political and social history is briefly surveyed in Appendix 1; Appendix 2 considers the contemporary economy and its relations with the world economy.

Although their numbers are small, Communists hold many key positions in the govern-

ment, press, trade-unions, and farm organizations. However, the Communists are not yet in full control. Concerted efforts by anti-Communist groups in support of constructive economic and political program for all the people could still succeed in ridding the country of the Communist conspiracy. But, Communism has grown so alarmingly, and the opposition is so disorganized and ineffectual—with only a negative approach on the national problems—that continued Communist success seems more likely.

In the Committee's judgment, the increasingly successful Communist conspiracy to subvert Guatemala in the interest of Soviet imperialism poses a threat not only to the freedom of that country but to the security of all Western Hemisphere nations. It, therefore, suggests that the most serious consideration be given to appropriate ways and means for coping with the Guatemalan situation under inter-American treaties and organizational arrangements.

(PP-85. From: NPA. Dec. 1953. 100 pp. \$1.25—free to NPA members.)

- Case Study No. 13 on the Causes of Industrial Peace Under Collective Bargaining, released late in November, analyzes "working harmony" based on "tough but reasonable" bar-

gaining in 18 companies representing various industries in this country and in England. The keynote in these cases is a highly developed system of labor-management communication through day-to-day consultation, joint committees, and use of grievance sessions as the opening wedge for discussing broader common problems. As a result, emphasis in contract negotiations is on factual bargaining and both parties, through shrewd trading and compromise, look for mutually advantageous solutions to their problems.

Both management and unions in the 18 companies believe that, in spite of wide fluctuations in some of the relationships, the harmonious approach to collective bargaining will continue to serve the basic interests of both.

(Case Study No. 13. From: NPA. Nov. 1953. 76 pp. \$1-75¢ to NPA members. Full series of Case Studies, published and to come, \$12.50—\$9 to NPA members.)

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